

MARICOPA COUNTY SELF-INSURED BENEFITS TRUST

BOARD OF TRUSTEES MEETING

301 W. Jefferson Street
North Conference Room, 3rd Floor
Maricopa County Administration Building
Tuesday, August 27, 2013
Meeting Time: 11:00 a.m.

MINUTES

TRUSTEES PRESENT: Susan Strickler, Beverly Dupree, Rex Jorgensen

TRUSTEES ABSENT: Brad Arnett, Dan Robledo, Jim Steinkamp

STAFF PRESENT: Meg Blankenship, Christopher Bradley, Dave Hansen,
Tawn Austin, Mary Ellen Sheppard, Curtia Hunter-Richard

GUESTS: Steve Dahle, Wes Baysinger

Curtia Hunter-Richard distributed a presentation folder and an updated contact list to each Trustee and Staff present. The folder included the meeting agenda; March 4, May 21, and June 27, 2013 meeting minutes; and the financial statements.

The Open Session meeting was called to order by Chairperson Strickler at 11:05 A.M. A quorum was present.

Introduction – New Trustee Representing District 3

Chairperson Strickler introduced Trustee Jorgensen as the appointed representative of District 3 to serve on the Board of Trustees for the term August 21, 2013 through February 24, 2015.

Approval of Last Month's Meeting Minutes

Approval of the March 4th, May 21st and June 27th meeting minutes was deferred to the September 30, 2013 meeting.

Presentation and Discussion - Review of Financial Statements

Dave Hansen presented a review of the current assets and liabilities related to the Employee Benefits Trust Fund as reflected in the following financial reports:

- Statement of Revenues, Expenses, and Changes in Net Assets – YTD as of July 31, 2013
- Statement of Net Assets – July 31, 2013, June 30, 2013, June 30, 2012, and June 30, 2011
- Fund Balance Roll-Forward – One Month Ended July 31, 2013
- Fund Balance Roll-Forward – Twelve Months Ended June 30, 2013
- Balance Sheet Details – July 31, 2013, June 30, 2013, June 30, 2012 and June 30, 2011
- Revenue & Expenses – One Month Ended July 31, 2013
- Notes to Financial Statements – July 2013
- Financial Commentary – July 2013

The question by Chairperson Strickler in reference to the reported increase in medical expenses was addressed and clarified. The increase in medical expenses for the year was only 2%, far less than anticipated for the plan year when compared to claims from PY 2012. For example, the County experienced a high claim of \$1.4million during PY 2012, while the highest claim paid in PY 2013 was \$600,000.

Dave Hansen notified the Trustees that the Short Term Disability Rebate distribution on August 28, 2013 would be reflected in next month's financial reports. The STD Rebate methodology, as approved in March 2013 by the Board of Supervisors, was a \$6.17 million distribution to County employees and will be reflected as a loss on the net margin for the year.

The question by Trustee Dupree in reference to the accrued liabilities as reported was addressed and clarified. The two areas of interest on the financial statements are the Reserve for Losses and Loss Expenses which reflects anticipated claims; and secondly, the Accrued Liabilities. For example, the 999 Benefit Clearing line reflects the cost allocation for departments of \$371 per employee/per pay period for benefit costs but the actual cost is \$393 per employee/per pay period.

Chris Bradley explained that the budget process had been adopted with the above mentioned structural deficit for FY 2014; where the premiums paid by County departments is lower than the budgeted expenses. The intention was to spend down an excess within the self-insurance reserves. The rates for FY 2014 had been set over a

year ago by the actuaries based on data from FY 2012. FY 2013 was better than the actuaries had assumed which provides a good basis for the management of FY 2014 anticipated claims. The County projects that there is a way to hold down expenses for FY 2015 based on current information from FY 2013. The reserve balance would be an issue to be addressed for FY 2015. A proposal will be presented in the future to the Board of Trustees to implement a rebate or premium holiday this fiscal year to match the actual premiums up with what is being charged to the departments.

The questions by Trustee Jorgensen in reference to the actuary report timing and reconciliation were addressed and clarified. It was confirmed that the actuary report is completed annually and reconciled when new premiums are set.

Presentation and Discussion –

McKesson Governmental Entities Average Wholesale Price Litigation

Meg Blankenship presented information on the McKesson settlement - settlement of the certified class action suit filed by other governmental entities for reimbursement of overpayments made for brand-name prescription drugs. The settlement funds were dispersed in July 2013 by McKesson, which resulted in a settlement payment of over \$64,000 to the County. The check was received in the Employee Benefits office, and then presented to the Board of Supervisors who approved the acceptance of the proof of claim and the acceptance of the settlement. The settlement check will be deposited into the Trust Fund. Other similar class action suits are currently in progress, such as ones for Wellbutrin and Flonase.

The question by Chairperson Strickler in reference to the handling of class action law suits was addressed and clarified. It was confirmed that the Staff evaluates these issues when they arise, and seeks guidance and approval for submitting a proof of claim.

The question by Trustee Dupree in reference to the County Treasurer's responsibility for handling all financial obligations for the trust was addressed and clarified. It was confirmed that the County Treasurer handles the funds for the Benefit Trust Fund.

Presentation and Discussion – Roles and Responsibilities of the Board of Trustees

Chris Bradley presented the updated document reflecting Staff's recommendations for clarifying the roles and responsibilities of the Board of Trustees. Support from the Board of Trustees was requested. A final decision on whether to move forward with the recommendations was deferred until the next meeting of the Board of Trustees.

The question by Chairperson Strickler in reference to the potential impact of another delay on moving forward on this issue was addressed and clarified. Chris Bradley

explained that a meeting occurred last week with our attorney to start the process of revising the Trust document, assuming that the Trustees are in support of the recommendations.

Convene an Executive Session

Chairperson Strickler called for a motion to convene an Executive Session for the purpose of discussing contract negotiations with the medical benefits vendor.

Trustee Dupree moved to convene to Executive Session and the motion was seconded by Trustee Jorgensen. The motion passed unanimously. The Executive Session convened at 11:38 A.M.

The Open Session meeting resumed at 12:06 P.M. immediately following the adjournment of the Executive Session.

Presentation and Discussion – Voluntary Benefits

As requested by Trustee Dupree, Chris Bradley presented an analysis of employee participation in voluntary benefits offered to County employees in 2011. Voluntary benefits provide discounted group rates, and there are some administrative expenses for handling the payroll deductions. Benefits staff recommends the development of a policy to establish a participation threshold for voluntary benefits that would allow a plan/benefit to be discontinued due to low participation.

The question by Trustee Jorgensen in reference to the self-insured benefits was addressed and clarified. It was confirmed that the health benefits are self-insured, with the exception of two dental plans: Cigna Pre-Paid and Delta Dental which are fully insured. Life insurance is also fully insured. The designation for each fund is reflected in the Fund Balance Roll-Forward financial statement.

The question by Trustee Dupree in reference to the methodology to establish a participation threshold that would warrant the discontinuation of a voluntary benefit was addressed and clarified. The methodology and threshold limit has not yet been determined.

Discussion ensued on the impact of a participation threshold on the Dependent care Flexible Spending Account and the perceived need of the plan by employees.

The question by Chairperson Strickler in reference to the timing for establishing a threshold policy for voluntary benefits was addressed and clarified. The decision would be scheduled to be placed before the Board of Supervisors for approval in December along with other benefit design changes for the upcoming plan year.

The question by Trustee Jorgensen in reference to the ability of the Trust to self-insure the voluntary benefits was addressed and clarified. The low participation in the current voluntary benefit plans and any statute limitations would be primary factors of consideration as to whether the County would add any of the voluntary benefits to the self-insured Trust.

Next Meeting

Meg Blankenship asked the Board of Trustees to consider timing for the next meeting.

The meeting schedule will be discussed at the next Board of Trustees Meeting. .

Call to Public

Chairperson Strickler made a Call to the Public. No one from the public was present.

Motion to Adjourn

Chairperson Strickler called for a motion to adjourn. The motion to adjourn was made by Trustee Dupree and seconded by Trustee Jorgensen. The motion passed unanimously. The meeting was adjourned at 12:25 P.M.